

TOWN OF GRAFTON, MASSACHUSETTS

**REPORT ON THE EXAMINATION
OF BASIC FINANCIAL STATEMENTS**

FISCAL YEAR ENDED JUNE 30, 2013

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Grafton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Grafton, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Grafton, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the Town of Grafton Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Grafton, Massachusetts' internal control over financial reporting and compliance.

Scanlon & Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

February 7, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Grafton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets exceeded its liabilities by \$102,064,407 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$99,654,429 an increase of \$2,409,978 (2%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$14,537,113, a decrease of \$9,230,691 (39%) in comparison with the prior year.
- The General Fund's total fund balance decreased \$1,947,178 (16%) to \$10,192,700. The ending General fund balance is 20% of revenues and transfers in and 19% of expenditures and transfers out.
- Total liabilities of the Town decreased by \$2,902,845 (5%) to \$57,684,897 during the fiscal year. This net change resulted mainly from decreases in warrants payable of \$1,559,501; in retainage payable of \$2,543,152 (a result of the completion of the new high school project) and in bonds and leases payable of \$3,264,911; and increases in other post employment benefit (OPEB) liability of \$1,826,130 and bond anticipation notes of \$3,000,000.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$1,900,591. The key factors that attributed to the free cash amount for fiscal year 2013 are, approximately, as follows:

➤ Unexpended/unencumbered appropriations	\$ 712,700.
➤ Excess over budget – state and local receipts	\$ 267,200.
➤ Prior year free cash not appropriated	\$ 970,750.
- The Town's enterprise fund certified free cash is as follows:

➤ Sewer fund	\$ 342,666.
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Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Grafton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activity includes the sewer activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Grafton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its sewer activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Highlights

Statement of Net Assets Highlights

	Governmental Activities		
	2013	2012	Change
Assets:			
Current assets	\$ 22,197,989	\$ 33,101,536	\$ (10,903,547)
Capital assets	121,966,127	111,188,666	10,777,461
Total assets	144,164,116	144,290,202	(126,086)
Liabilities:			
Current liabilities (excluding debt and leases)	2,905,191	7,255,363	(4,350,172)
Current debt including leases	5,611,450	3,024,241	2,587,209
Noncurrent liabilities (excluding debt and leases)	12,174,573	10,573,565	1,601,008
Noncurrent debt including leases	36,122,107	38,634,307	(2,512,200)
Total liabilities	56,813,321	59,487,476	(2,674,155)
Net Position:			
Net investment in capital assets	80,261,877	69,563,666	10,698,211
Restricted	9,506,003	13,942,918	(4,436,915)
Unrestricted	(2,417,085)	1,296,142	(3,713,227)
Total net position	\$ 87,350,795	\$ 84,802,726	\$ 2,548,069

	Business-Type Activities		
	2013	2012	Change
Assets:			
Current assets	\$ 2,400,325	\$ 2,752,836	\$ (352,511)
Noncurrent assets (excluding capital assets)	817,104	957,942	(140,838)
Capital assets	12,367,759	12,241,191	126,568
Total assets	15,585,188	15,951,969	(366,781)
Liabilities:			
Current liabilities (excluding debt)	186,079	99,021	87,058
Current debt	20,000	340,000	(320,000)
Noncurrent liabilities (excluding debt)	205,497	181,245	24,252
Noncurrent debt	460,000	480,000	(20,000)
Total liabilities	871,576	1,100,266	(228,690)
Net Position:			
Net investment in capital assets	11,887,759	11,421,191	466,568
Restricted	1,259,528	1,607,166	(347,638)
Unrestricted	1,566,325	1,823,346	(257,021)
Total net position	\$ 14,713,612	\$ 14,851,703	\$ (138,091)

Statement of Activities Highlights

	Governmental Activities		
	2013	2012	Change
Program Revenues:			
Charges for services	2,624,047	2,727,587	(103,540)
Operating grants and contributions	15,400,248	15,529,331	(129,083)
Capital grants and contributions	2,637,760	20,011,091	(17,373,331)
General Revenues:			
Property taxes	32,415,697	29,939,413	2,476,284
Motor vehicle excise and other taxes	2,342,143	2,160,289	181,854
Penalties and interest on taxes	54,812	106,988	(52,176)
Nonrestricted grants	1,388,647	2,211,453	(822,806)
Unrestricted investment income	24,974	156,430	(131,456)
Miscellaneous	2,425	4,430	(2,005)
Total revenues	56,890,753	72,847,012	(15,956,259)
Expenses:			
General government	3,137,587	4,102,813	(965,226)
Public safety	3,578,847	3,440,888	137,959
Public works	3,072,188	2,890,675	181,513
Education	29,801,214	27,983,605	1,817,609
Health and human services	453,395	473,614	(20,219)
Culture and recreation	1,136,535	903,052	233,483
Employee benefits and insurance	10,814,435	10,983,268	(168,833)
State assessments	816,195	803,045	13,150
Interest	1,672,213	1,318,662	353,551
Total expenses	54,482,609	52,899,622	1,582,987
Contributions to permanent funds	14,925	16,275	(1,350)
Transfers	125,000	125,000	-
Change in net position	2,548,069	20,088,665	(17,540,596)
Net position - beginning of year (as restated)	84,802,726	64,714,061	20,088,665
Net position - end of year	\$ 87,350,795	\$ 84,802,726	\$ 2,548,069

	Business-Type Activities		
	2013	2012	Change
Program Revenues:			
Charges for services	\$ 1,353,758	\$ 1,330,669	\$ 23,089
	1,353,758	1,330,669	23,089
General Revenues:			
Unrestricted investment income	(10,903)	42,915	(53,818)
Total revenues	1,342,855	1,373,584	(30,729)
Expenses:			
Sewer	1,355,946	1,361,956	(6,010)
Total expenses	1,355,946	1,361,956	(6,010)
Transfers	(125,000)	(125,000)	-
Change in net position	(138,091)	(113,372)	(24,719)
Net position - beginning of year (as restated)	14,851,703	14,965,075	(113,372)
Net position - end of year	\$ 14,713,612	\$ 14,851,703	\$ (138,091)

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$102,064,407 at the close of fiscal year 2013.

Net position of \$92,149,636 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$10,765,531 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$850,760) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in two of the categories of net position. The unrestricted governmental activities resulted in a negative balance of (\$2,417,085) as a result of the accrual of the OPEB liability obligation that is required under GASB No. 45 to be accrued. The liability for OPEB as presented on the statement of net position for the governmental activities is \$11,649,673.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net position for the business-type activities.

The governmental activities net position increased by \$2,548,069 (3%) during the current fiscal year, which reflects the general fund's results of operation. The increase in net position for fiscal year 2013 was due to revenue exceeding expenditures by \$2,423,069 and transfers from the sewer business-type activity of \$125,000.

There was a decrease of \$138,091 in net position reported in connection with the sewer business-type activity. This was attributed to current operational costs exceeding the current operational revenues by

\$17,113, investment income of (\$10,903) resulting from an unrealized loss on investments, assessments of \$42,444, interest expense of \$27,519 and transfers to the general fund of \$125,000.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$14,537,113 a decrease of \$9,230,691 (39%) in comparison with the prior year.

The breakdown of the governmental funds is as follows:

- Nonspendable fund balance - \$671,769 (4%)
- Restricted fund balance - \$5,673,919 (39%)
- Committed fund balance - \$1,985,898 (14%)
- Assigned fund balance - \$825,361 (6%)
- Unassigned fund balance - \$5,380,166 (37%)

Major Governmental Funds

At the end of the fiscal year, the General Fund reported a total fund balance of \$10,192,700 decreasing \$1,947,178 (16%) from the prior year. Of the \$10,192,700, the unassigned amount is \$6,293,084 (62%), the assigned amount is \$825,361 (6%), the committed amount is \$1,985,898 (14%) and the restricted amount is \$1,088,357 (11%). General fund revenues were \$3,158,343 (7%) more than the prior fiscal year and expenditures also increased by \$3,367,980 (7%). Other activity in the General Fund were net transfers to the nonmajor governmental funds of \$1,575,288, a transfer from the sewer business-type activity of \$125,000 and a capital lease of \$135,116.

The main components of the increases in general fund revenues as compared to the prior year were related to property taxes in the amount of \$2,492,546 (8%), licenses, permits and fees of \$239,105 (24%) and a drop in investment income of \$123,481 (83%).

The major changes in general fund expenditures from the prior fiscal year were as follows:

- Increase in General government expenditures of \$677,328 (25%).
- Decrease in Public safety expenditures of \$328,246 (11%).
- Increase in Education expenditures of \$1,645,620 (7%).
- Increase in Principal and Interest on debt service expenditures of \$890,825 (25%) – Major component was the new High School debt.

The *High School Construction Fund* has a deficit fund balance of (\$187,347). The fund is used to account for financial resources to construct a new high school. The fund balance of the high school construction fund decreased by \$5,939,7997. This amount was attributed to a grant from the Massachusetts School Building Authority of \$2,323,547 and expenditures of \$8,263,344. The deficit will be eliminated upon additional Massachusetts School Building Administration receipts.

Proprietary funds. The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Fund

The *Sewer Fund* is the financing and operations of the Town's sewer system. The sewer fund shows a decrease in net position of \$138,091 attributed to operating costs exceeding operating revenues by \$17,113, special assessments revenue of \$42,444, interest income of (\$10,903), interest expense of \$27,519 and transfers to the general fund of \$125,000. Operating revenues increased by \$32,908 (3%) while operating expenses also increased by \$4,284 (.3%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2013 was \$49,807,416. This was an increase of \$2,140,660 (5%) over the previous year's budget.

There was an increase of \$293,953 between the total original budget and the total final amended budget. The change is attributed to adjustments voted at the special town meeting in October 2012 and May 2013, and annual town meeting of May 2013 for various budget operating line items.

General fund expenditures were less than budgeted by \$3,247,901. Of the \$3,247,901 in under budget expenditures, \$2,535,169 has been carried over to fiscal year 2014.

There are negative variances in property taxes of \$186,914, interest on taxes of \$45,825 and investment income of \$26,991. The negative variances attributed to property taxes and interest on taxes is a result of a drop in collections and investment income as a result of the current economy.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$121,966,127 and \$12,367,759, respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Purchase of land for \$494,400.
- Municipal center telephone system for \$40,745.
- Cable TV Studio video camera's for \$64,685.
- Facility energy/envelop upgrades for \$2,356,590.
- Police vehicles for \$82,015.
- Old fire station masonry repairs for \$147,000.
- Department of public works vehicles and equipment for \$151,571.
- Highway fuel tank for \$129,685.
- Road and sidewalk infrastructure improvements for \$643,613.
- Grafton High School construction for \$7,980,309.
- Grafton High School tractor for \$26,755.
- Elementary and middle school improvements for \$232,084.
- Grafton Public Library handicap access for \$513,817.
- Mill Village Park and Memorial Plaza improvements for \$250,846.

Major capital events in the business-type funds included the following:

- Sewer Waste Water Treatment Plant improvements for \$86,887.
- Sewer main improvements for \$439,940.

Debt. The Town's outstanding governmental debt as of June 30, 2013 totaled \$38,634,307 consisting of the fire/police station for \$575,000, the new fire station for \$3,300,000, school modular classrooms for \$450,000, the new high school for \$33,365,000, land acquisition for \$915,000 and the Title V septic repair program for \$29,307.

The business-type fund has \$480,000 in sewer debt.

The Town also has a capital lease for the financing of a highway department sweeper. The lease is due in 2016. The Town currently owes \$104,637 on the leases consisting of \$99,250 in principal and \$5,387 in interest.

In addition, the Town has \$3,000,000 in governmental type temporary debt for the energy conservation improvements.

Please refer to notes 3C, 3E, 3F and 3G for further discussion of the major capital assets and debt activity.

Next Year's Annual Town Meeting

The Town of Grafton operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2013 do not reflect the fiscal year 2014 Town Meeting action. The Annual Town Meeting on May 13, 2013 authorized a fiscal year 2014 operating and capital budget as follows:

From the tax levy	\$	46,844,200
From sewer receipts		1,117,984
From sewer betterments		40,128
From sewer appropriations		36,000
From community preservation		106,225
From Available Funds:		
General Fund:		
Unassigned Fund Balance - Free Cash		496,763
	\$	<u>48,641,300</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Grafton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, 30 Providence Road Grafton, Massachusetts.

BASIC FINANCIAL STATEMENTS

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 12,363,104	\$ 110,699	\$ 12,473,803
Investments	6,341,500	1,942,733	8,284,233
Receivables, net of allowance for uncollectibles:			
Property Taxes	316,606	-	316,606
Deferred Property Taxes	23,956	-	23,956
Tax Liens	1,123,687	-	1,123,687
Excise Taxes	288,462	-	288,462
Departmental	13,159	-	13,159
User Charges	-	238,387	238,387
Special Assessments	2,427	108,506	110,933
Due from Other Governments	1,725,088	-	1,725,088
Total current assets	22,197,989	2,400,325	24,598,314
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	-	817,104	817,104
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	87,852,963	507,052	88,360,015
Depreciable	34,113,164	11,860,707	45,973,871
Total noncurrent assets	121,966,127	13,184,863	135,150,990
Total Assets	144,164,116	15,585,188	159,749,304
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	1,342,802	149,482	1,492,284
Accrued Payroll	355,091	13,265	368,356
Payroll Withholdings	315,858	-	315,858
Tax Refund Payable	44,000	-	44,000
Accrued Interest	394,121	5,272	399,393
Other	99,716	-	99,716
Compensated Absences	353,603	18,060	371,663
Bond Anticipation Notes Payable	3,000,000	-	3,000,000
Bonds and Leases Payable	2,611,450	20,000	2,631,450
Total current liabilities	8,516,641	206,079	8,722,720
NONCURRENT:			
Compensated Absences	524,900	13,578	538,478
OPEB Obligation Payable	11,649,673	191,919	11,841,592
Bonds and Leases Payable	36,122,107	460,000	36,582,107
Total noncurrent liabilities	48,296,680	665,497	48,962,177
Total Liabilities	56,813,321	871,576	57,684,897
NET POSITION:			
Net Investment in Capital Assets	80,261,877	11,887,759	92,149,636
Restricted for:			
Capital Projects	2,490,144	-	2,490,144
Federal & State Grants	1,461,782	-	1,461,782
Community Preservation	662,011	-	662,011
Permanent Funds:			
Nonexpendable	671,769	-	671,769
Expendable	415,646	-	415,646
Other Purposes	3,804,651	1,259,528	5,064,179
Unrestricted	(2,417,085)	1,566,325	(850,760)
Total Net Position	\$ 87,350,795	\$ 14,713,612	\$ 102,064,407

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions Capital Grants and Contributions
Governmental Activities:			
General Government	\$ 3,137,587	\$ 393,615	\$ 569,765
Public Safety	3,578,847	553,861	99,005
Public Works	3,072,188	402,208	23,997
Education	29,801,214	903,188	10,699,630
Health and Human Services	453,395	66,800	88,078
Culture and Recreation	1,136,535	304,375	189,965
Employee Benefits and Insurance	10,814,435	-	3,728,059
State Assessments	816,195	-	-
Interest	1,672,213	-	1,749
Total Governmental Activities	54,482,609	2,624,047	15,400,248
			2,637,760
Business-Type Activities:			
Sewer	1,355,946	1,353,758	-

Total Primary Government	\$ 55,838,555	\$ 3,977,805	\$ 15,400,248	\$ 2,637,760
General Revenues:				
Property Taxes				
Motor vehicle excise and other taxes				
Penalties & Interest on Taxes				
Grants & Contributions not restricted to specific programs				
Unrestricted Investment Income				
Miscellaneous				
Contributions to Permanent Funds				
Transfers, net				
Total General Revenues, Contributions and Transfers				

Change in Net Position

Net Position:

Beginning of year (as restated)	
End of year	

Net (Expenses) Revenues and Changes in Net Position			
	Governmental Activities	Business-Type Activities	Total
\$	(2,174,207)	\$ -	\$ (2,174,207)
	(2,925,981)	-	(2,925,981)
	(2,346,489)	-	(2,346,489)
	(15,860,130)	-	(15,860,130)
	(298,517)	-	(298,517)
	(642,195)	-	(642,195)
	(7,086,376)	-	(7,086,376)
	(816,195)	-	(816,195)
	(1,670,464)	-	(1,670,464)
	(33,820,554)	-	(33,820,554)

	-	(2,188)	(2,188)
	(33,820,554)	(2,188)	(33,822,742)

32,415,697	-	-	32,415,697
2,342,143	-	-	2,342,143
54,812	-	-	54,812
1,388,647	-	-	1,388,647
24,974	(10,903)	-	14,071
2,425	-	-	2,425
14,925	-	-	14,925
125,000	(125,000)	-	-
36,368,623	(135,903)	-	36,232,720

2,548,069	(138,091)	-	2,409,978
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84,802,726	14,851,703	-	99,654,429
\$ 87,350,795	\$ 14,713,612	\$ -	\$ 102,064,407

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 7,908,477	\$ (63,749)	\$ 4,518,376	\$ 12,363,104
Investments	3,967,903	-	2,373,597	6,341,500
Receivables, net of allowance for uncollectibles:				
Property Taxes	314,004	-	2,602	316,606
Deferred Property Taxes	23,956	-	-	23,956
Tax Liens	1,114,266	-	9,421	1,123,687
Excise Taxes	288,462	-	-	288,462
Departmental	1,424	-	11,735	13,159
Special Assessments	-	-	2,427	2,427
Due from Other Governments	65,690	-	1,659,398	1,725,088
Total Assets	\$ 13,684,182	\$ (63,749)	\$ 8,577,556	\$ 22,197,989
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Warrants and Accounts Payable	\$ 1,109,246	\$ 123,598	\$ 109,958	\$ 1,342,802
Accrued Payroll	334,446	-	20,645	355,091
Payroll Withholdings	315,858	-	-	315,858
Tax Refund Payable	44,000	-	-	44,000
Other	99,716	-	-	99,716
Deferred Revenue:				
Property Taxes	138,004	-	2,602	140,606
Other	1,450,212	-	912,591	2,362,803
Bond Anticipation Notes Payable	-	-	3,000,000	3,000,000
Total Liabilities	3,491,482	123,598	4,045,796	7,660,876
Fund Balance:				
Nonspendable	-	-	671,769	671,769
Restricted	1,088,357	-	4,585,562	5,673,919
Committed	1,985,898	-	-	1,985,898
Assigned	825,361	-	-	825,361
Unassigned	6,293,084	(187,347)	(725,571)	5,380,166
Total Fund Balance	10,192,700	(187,347)	4,531,760	14,537,113
Total Liabilities and Fund Balance	\$ 13,684,182	\$ (63,749)	\$ 8,577,556	\$ 22,197,989

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	High School Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 31,958,624	\$ -	\$ 309,298	\$ 32,267,922
Intergovernmental	10,699,479	2,323,547	2,365,265	15,388,291
Excise and Other Taxes	2,291,860	-	1,701	2,293,561
Charges for Services	-	-	1,623,039	1,623,039
Licenses, Permits, Fees	1,254,186	-	-	1,254,186
Interest on Taxes	54,175	-	637	54,812
Investment Income	24,974	-	(13,738)	11,236
Gifts and Donations	-	-	317,954	317,954
Other	-	-	22,699	22,699
Intergovernmental - "On-behalf" Payments	3,727,160	-	-	3,727,160
Total Revenues	50,010,458	2,323,547	4,626,855	56,960,860
Expenditures:				
Current:				
General Government	3,438,007	-	3,143,770	6,581,777
Public Safety	2,749,674	-	479,542	3,229,216
Public Works	2,839,424	-	576,454	3,415,878
Education	26,336,617	8,263,344	2,569,221	37,169,182
Health and Human Services	349,635	-	93,866	443,501
Culture and Recreation	701,087	-	469,147	1,170,234
Employee Benefits and Insurance	8,910,525	-	111,644	9,022,169
State Assessments	816,195	-	-	816,195
Debt Service:				
Principal	2,960,000	-	64,241	3,024,241
Interest	1,541,300	-	37,974	1,579,274
Total Expenditures	50,642,464	8,263,344	7,545,859	66,451,667
Excess of Revenues Over	(632,006)	(5,939,797)	(2,919,004)	(9,490,807)
(Under) Expenditures				
Other Financing Sources (Uses):				
Operating Transfers In	204,377	-	1,654,665	1,859,042
Operating Transfers Out	(1,654,665)	-	(79,377)	(1,734,042)
Capital Lease	135,116	-	-	135,116
Total Other Financing Sources (Uses)	(1,315,172)	-	1,575,288	260,116
Net Change in Fund Balances	(1,947,178)	(5,939,797)	(1,343,716)	(9,230,691)
Fund Balances, Beginning of Year	12,139,878	5,752,450	5,875,476	23,767,804
Fund Balances, End of Year	\$ 10,192,700	\$ (187,347)	\$ 4,531,760	\$ 14,537,113

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2013

Total Governmental Fund Balances		\$ 14,537,113
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		121,966,127
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,503,409
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and Leases Payable	\$ (38,733,557)	
Other Post Employment Benefits Payable	(11,649,673)	
Compensated Absences	<u>(878,503)</u>	(51,261,733)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds interest is not reported until due.		<u>(394,121)</u>
Net Position of Governmental Activities		<u><u>\$ 87,350,795</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds **\$ (9,230,691)**

The Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:

Capital Outlay Purchases	\$ 13,114,115	
Depreciation	<u>(2,336,654)</u>	10,777,461

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

(55,182)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayment of Debt and Lease Principal	3,060,107	
Proceeds from Lease	<u>(135,116)</u>	2,924,991

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net Change in Compensated Absences	16,695	
Net Change in Other Post Employment Benefits	(1,792,266)	
Net Change in Accrued Interest on Long-Term Debt	<u>(92,939)</u>	(1,868,510)

Change in Net Position of Governmental Activities **\$ 2,548,069**

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGETARY BASIS - (NON-GAAP) -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
Revenues:					
Property Taxes	\$ 31,222,249	\$ 31,828,538	\$ 31,641,624	\$ -	\$ (186,914)
Intergovernmental	10,567,311	10,567,311	10,699,479	-	132,168
Excise and Other Taxes	2,087,200	2,087,200	2,291,860	-	204,660
Licenses, Permits, Fees	1,251,000	1,251,000	1,254,186	-	3,186
Interest on Taxes	100,000	100,000	54,175	-	(45,825)
Investment Income	75,000	75,000	48,009	-	(26,991)
Total Revenues	45,302,760	45,909,049	45,989,333	-	80,284
Expenditures:					
Current:					
General Government	3,780,347	4,363,285	3,217,334	972,539	173,412
Public Safety	3,132,682	3,078,622	2,749,674	207,837	121,111
Public Works	3,626,126	3,762,115	2,704,308	911,077	146,730
Education	26,880,463	26,771,001	26,336,617	400,158	34,226
Health and Human Services	415,996	415,996	349,635	1,082	65,279
Culture and Recreation	842,950	799,219	701,087	42,476	55,656
Employee Benefits and Insurance	5,511,097	5,293,376	5,183,365	-	110,011
State Assessments	822,502	822,502	816,195	-	6,307
Debt Service:					
Principal	2,960,000	2,960,000	2,960,000	-	-
Interest	1,541,300	1,541,300	1,541,300	-	-
Total Expenditures	49,513,463	49,807,416	46,559,515	2,535,169	712,732
Excess of Revenues Over					
(Under) Expenditures	(4,210,703)	(3,898,367)	(570,182)	(2,535,169)	793,016
Other Financing Sources (Uses):					
Operating Transfers In (Out)	(560,980)	(1,295,316)	(1,220,552)	-	74,764
Total Other Financing Sources (Uses)	(560,980)	(1,295,316)	(1,220,552)	-	74,764
Excess (Deficiency) of Revenues and Other					
Financing Sources Over Expenditures and					
Other Financing Uses	(4,771,683)	(5,193,683)	(1,790,734)	(2,535,169)	867,780
Budgetary Fund Balance - Beginning of Year	8,738,058	8,738,058	8,738,058	-	-
Budgetary Fund Balance - End of Year	\$ 3,966,375	\$ 3,544,375	\$ 6,947,324	\$ (2,535,169)	\$ 867,780

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2013

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 45,989,333	\$ 46,559,515
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	(23,035)	-
Net Increase in Revenue from recording Refund Taxes Payable	265,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	3,727,160	-
Recognition of Expenditures - "on behalf payments"	-	3,727,160
Capital Lease		135,116
Net Increase in Revenue from Recording 60-Day Receipts	52,000	-
Net Change in Accrued Expenditures	-	220,673
Reported on a GAAP Basis	\$ 50,010,458	\$ 50,642,464

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2013**

	Business-Type Activities Enterprise Fund
	Sewer Fund
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 110,699
Investments	1,942,733
User Charges, net of allowance for uncollectibles	238,387
Special Assessments	108,506
Total current assets	<u>2,400,325</u>
NONCURRENT:	
Special Assessments	817,104
Capital Assets, net of accumulated depreciation	
Nondepreciable	507,052
Depreciable	11,860,707
Total noncurrent assets	<u>13,184,863</u>
Total Assets	<u><u>15,585,188</u></u>
LIABILITIES	
CURRENT:	
Accounts Payable	149,482
Accrued Payroll	13,265
Accrued Interest	5,272
Compensated Absences	18,060
Bonds Payable	20,000
Total current liabilities	<u>206,079</u>
NONCURRENT:	
Compensated Absences	13,578
OPEB Obligation Payable	191,919
Bonds Payable	460,000
Total noncurrent liabilities	<u>665,497</u>
Total Liabilities	<u><u>871,576</u></u>
NET POSITION:	
Net Investment in Capital Assets	11,887,759
Restricted for Betterments-Capital	1,259,528
Unrestricted	1,566,325
Total Net Position	<u><u>\$ 14,713,612</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Operating Revenues:	
Charges for Services	\$ 1,299,379
Other	11,935
Total Operating Revenues	1,311,314
Operating Expenses:	
Salaries & Wages	337,469
Operating Expenses	590,699
Depreciation	400,259
Total Operating Expenses	1,328,427
Operating Income (Loss)	(17,113)
Non-Operating Revenues (Expenses):	
Investment Income	(10,903)
Assessments	42,444
Interest Expense	(27,519)
Total Non-Operating Revenues (Expenses)	4,022
Income (Loss) Before Operating Transfers	(13,091)
Operating Transfers:	
Transfers (Out)	(125,000)
Total Operating Transfers	(125,000)
Change in Net Position	(138,091)
Net Position at Beginning of Year (as restated)	14,851,703
Net Position at End of Year	\$ 14,713,612

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities Enterprise Fund
	Sewer Fund
Cash Flows From Operating Activities:	
Receipts from Customers and Users	\$ 1,252,210
Receipts from Other Revenues	11,935
Payments to Vendors	(605,419)
Payments to Employees	(335,661)
Net Cash Provided by (Used for) Operating Activities	323,065
Cash Flows from Noncapital Financing Activities:	
Transfers from (to) Other Funds	(125,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(125,000)
Cash Flows from Capital and Related Financing Activities:	
Assessments	189,812
Acquisition and Construction of Capital Assets	(398,837)
Principal Payments on Bonds	(340,000)
Interest Expense	(31,288)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(580,313)
Cash Flows from Investing Activities:	
Investment Income	(10,903)
Proceeds/(Purchase) of Investments	244,391
Net Cash Provided by (Used for) Investing Activities	233,488
Net Increase (Decrease) in Cash and Cash Equivalents	(148,760)
Cash and Cash Equivalents at Beginning of Year	259,459
Cash and Cash Equivalents at End of Year	\$ 110,699

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used For) Operating Activities:**

Operating Income (Loss)	\$ (17,113)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	400,259
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	(48,584)
Increase (Decrease) in Accrued Payroll	(717)
Increase (Decrease) in Compensated Absences	2,525
Increase (Decrease) in OPEB Obligation Payable	33,864
Decrease (Increase) in User Charges Receivable	(47,169)
Total Adjustments	340,178
Net Cash Provided by (Used for) Operating Activities	\$ 323,065

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2013**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,676	\$ 187,799	\$ 442,892
Investments	-	150,838	3,081
Total Assets	2,676	338,637	445,973
LIABILITIES			
Warrants Payable	-	-	10,903
Due to Others	-	-	10,762
Due to Student Groups	-	-	108,226
Escrows and Deposits	-	-	316,082
Total Liabilities	-	-	445,973
NET POSITION:			
Held in Trust for Other Purposes	\$ 2,676	\$ 338,637	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF GRAFTON, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Private Donations	\$ -	\$ 34,046
Other	3,550	-
Total Contributions	3,550	34,046
Investment Income:		
Interest & Dividends	7	5,612
Net Change in Fair Value of Investments	(13)	(5,137)
Total Investment Earnings	(6)	475
Total Additions	3,544	34,521
Deductions:		
Educational Scholarships	-	11,761
General	868	-
Total Deductions	868	11,761
Change in Net Position	2,676	22,760
Net Position at Beginning of Year	-	315,877
Net Position at End of Year	\$ 2,676	\$ 338,637

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Grafton, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1735 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2013, it was determined that no entities met the required GASB-39 and GASB-61 criteria for component units.

The Town is responsible for electing the governing board and/or committee members of the Grafton Housing Authority, the Grafton Water District, the South Grafton Water District and the Blackstone Valley Regional Vocational Technical High School. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board members. Audited financial statements are available from the respective organizations. A description of the related organizations are as follows:

Grafton Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Grafton Water District and South Grafton Water District – Districts that provide water services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of the Commonwealth of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

Blackstone Valley Regional Vocational Technical High School - A regional school district made up of thirteen communities to serve and provide a learning environment in specific career areas. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects one district committee member for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Proprietary and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's enterprise funds and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *high school construction fund* is used to account for financial resources to construct a new high school.

The Town reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The non-major governmental fund consists of other special revenue, capital projects and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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Additionally, the Town reports the following fund types:

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs. The Town reports the following fiduciary funds:

The *Other Postemployment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a purely custodial capacity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

Investment income from proprietary funds is maintained in those funds.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

TOWN OF GRAFTON, MASSACHUSETTS
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F. Receivables

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Property Taxes, Deferred Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2012 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town accepted the provisions of the Massachusetts General Laws Chapter 59, Section 57C which enables the Town to have a quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for fiscal year 2013 on June 25, 2012 and September 28, 2012 that were due on August 1, 2012 and November 1, 2012 and the actual tax bills were mailed on December 31, 2012 and March 29, 2013 and were due on February 1, 2013 and May 1, 2013.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2013 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2013	\$ 27,600,126
Add: Debt Exclusion	<u>4,464,510</u>
	<u><u>\$ 32,064,636</u></u>

The total amount raised by taxation was \$32,044,980.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise and boat excise. Excise taxes are assessed annually for each vehicle and boat registered in the Town, and are recorded as receivables in the fiscal year of levy. The

TOWN OF GRAFTON, MASSACHUSETTS
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Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each boat.

The tax calculation for motor vehicle excise taxes is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is based on historical trends and specific account analysis.

User Charges

User charges and fees consist of sewer that is levied based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Sewer liens are processed each year and are included as a lien on the property owner's tax bill. Sewer charges and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is based upon historical trends and specific account analysis.

Departmental

Departmental receivables consist of police off-duty details and assessor's fees.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Special Assessments

Special assessments consists of septic repair program betterments in the governmental activities and sewer betterments in the business-type activities

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

G. Capital Assets

Capital assets of the primary government include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

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Capital Asset Type	Years
Buildings and renovations	10-40
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Net Position and Fund Balances

In the Governmental-Wide financial statements, the difference between the Town's total assets and total liabilities represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" - represents amounts restricted by the federal and state government for various programs.

"Community preservation fund" represents amounts that are restricted for the preservation of open space, historical resources and community housing.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

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"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt of the primary government is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

**TOWN OF GRAFTON, MASSACHUSETTS
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M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% to 73% share of insurance premiums for retirees, spouses and surviving spouses in the general fund in the fiscal year paid.

N. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Requests for appropriation are submitted by departments to the Finance Committee.
- Finance committee meets with various departments to discuss the appropriation.
- Finance committee recommends the budget and presents the budget at the annual Town meeting.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.
- Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2013, the Town incurred a final budget deficit of \$5,193,683 for the General Fund.

TOWN OF GRAFTON, MASSACHUSETTS
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The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved Fund Balance:	
Free cash votes	\$ 1,827,683
Overlay surplus	250,000
Reserve for payment of debt	105,297
Prior year's encumbrances	3,010,703
	<u>\$ 5,193,683</u>

B. Deficit Fund Balance

The following funds had a deficit at June 30, 2013 as measured by the balances of unreserved fund balance:

- The high school construction fund has a total deficit of \$187,347. This deficit will be eliminated upon additional Massachusetts School Building Administration (MSBA) receipts or by the Town appropriating additional funds.
- The capital project facilities upgrade fund has a total deficit of \$725,571. The Town has temporary notes of \$3,000,000. The deficit will be eliminated upon the issuance of permanent debt.

3. DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risks – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2013 were \$15,201,814. Of these, \$2,329,175 were exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2013, the Town had the following investments:

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Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	
Debt Securities:					
U. S. Treasury obligations	\$ 676,487	\$ -	\$ 676,487	\$ -	
U. S. Government agencies	1,091,018	186	702,236		388,596
Corporate bonds	1,288,683	227,518	1,061,165		-
Money market mutual funds	941,103	941,103	-		-
	3,997,291	\$ 1,168,807	\$ 2,439,888	\$ 388,596	
Other Investments:					
Equity mutual funds	1,193,148				
Equity securities - Domestic	192,234				
Certificates of deposit	2,592,972				
MMDT	462,507				
	\$ 8,438,152				

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$8,438,152 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2013 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings				Not Rated
		Aaa	A1	A3	Baa1	
Debt Securities:						
U. S. treasury obligations	\$ 676,487	\$ 676,487	\$ -	\$ -	\$ -	\$ -
U. S. government agencies	1,091,018	1,091,018	-	-	-	-
Corporate bonds	1,288,683	-	278,798	372,172	637,713	-
Money market mutual fund	941,103	-	-	-	-	941,103
	<u>\$ 3,997,291</u>	<u>\$ 1,767,505</u>	<u>\$ 278,798</u>	<u>\$ 372,172</u>	<u>\$ 637,713</u>	<u>\$ 941,103</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal National Mortgage Association amounting to 10.53% of the Town's total investments.

TOWN OF GRAFTON, MASSACHUSETTS
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B. Receivables

At June 30, 2013, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes including community preservation surcharge	\$ 333,478	\$ (16,872)	\$ 316,606
Deferred property taxes	23,956	-	23,956
Tax liens	1,138,523	(14,836)	1,123,687
Excise taxes	364,362	(75,900)	288,462
Departmental	13,159	-	13,159
Special assessments	2,427	-	2,427
Due from other governments	1,725,088	-	1,725,088
	<u>\$ 3,600,993</u>	<u>\$ (107,608)</u>	<u>\$ 3,493,385</u>

At June 30, 2013, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer:			
User charges	\$ 246,876	\$ (8,489)	\$ 238,387
Special assessments	925,610	-	925,610
	<u>\$ 1,172,486</u>	<u>\$ (8,489)</u>	<u>\$ 1,163,997</u>

TOWN OF GRAFTON, MASSACHUSETTS
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The composition of amounts due from other governments as of June 30, 2013 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:

Veterans, blind and surviving spouses \$ 38,016

Department of Veterans Services:

Veterans benefits 27,674 \$ 65,690

Nonmajor Governmental Funds:

U. S. Department of Agriculture

School lunch 34,485

U. S. Department of Education

School title grants 10,310

U. S. Department of Homeland Security

Emergency management agency grants 5,811

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch 2,029

Special education reimbursement fund 103,284

Executive Office of Public Safety & Homeland Security 28,842

Massachusetts Department of Transportation:

Chapter 90 funds 1,474,637 1,659,398

\$ 1,725,088

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2013 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$140,606.

The various components of the other deferred revenue reported in the governmental funds are as follows:

General Fund:

Tax liens \$ 1,114,266

Deferred property taxes 23,956

Excise taxes 288,462

Departmental 1,424

Due from other governments 22,104 \$ 1,450,212

Nonmajor Governmental Funds:

Tax liens 9,421

Special assessments 2,427

Due from other governments 900,743 912,591

\$ 2,362,803

TOWN OF GRAFTON, MASSACHUSETTS
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C. Capital Assets

Capital asset activity for the year ended June 30, 2013, is as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 15,465,783	\$ 494,400	\$ -	\$ 15,960,183
Construction in Progress	62,804,811	11,642,459	(2,554,490)	71,892,780
Total capital assets not being depreciated	78,270,594	12,136,859	(2,554,490)	87,852,963
Capital assets being depreciated:				
Buildings and Renovations	46,377,222	1,923,835	-	48,301,057
Machinery, equipment and other	5,963,754	301,086	(262,474)	6,002,366
Infrastructure	6,030,919	1,306,825	-	7,337,744
Total capital assets being depreciated	58,371,895	3,531,746	(262,474)	61,641,167
Less accumulated depreciation for:				
Buildings and Renovations	19,271,270	1,601,196	-	20,872,466
Machinery, equipment and other	4,480,165	395,774	(262,474)	4,613,465
Infrastructure	1,702,388	339,684	-	2,042,072
Total accumulated depreciation	25,453,823	2,336,654	(262,474)	27,528,003
Total capital assets being depreciated, net	32,918,072	1,195,092	-	34,113,164
Total governmental activities capital assets, net	\$ 111,188,666	\$ 13,331,951	\$ (2,554,490)	\$ 121,966,127

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in Progress	\$ 392,500	\$ 526,827	\$ (412,275)	\$ 507,052
Total capital assets not being depreciated	392,500	526,827	(412,275)	507,052
Capital assets being depreciated:				
Machinery, equipment and other	198,548	-	-	198,548
Infrastructure	30,629,578	412,275	-	31,041,853
Total capital assets being depreciated	30,828,126	412,275	-	31,240,401
Less accumulated depreciation for:				
Machinery, equipment and other	135,886	20,433	-	156,319
Infrastructure	18,843,549	379,826	-	19,223,375
Total accumulated depreciation	18,979,435	400,259	-	19,379,694
Total capital assets being depreciated, net	11,848,691	12,016	-	11,860,707
Total governmental activities capital assets, net	\$ 12,241,191	\$ 538,843	\$ (412,275)	\$ 12,367,759

TOWN OF GRAFTON, MASSACHUSETTS
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 184,893
Public safety	576,340
Public works	482,521
Education	894,932
Health and human services	9,938
Culture and recreation	188,030
Total depreciation expense - governmental activities	<u>\$ 2,336,654</u>

Business-Type Activities:

Sewer	<u>\$ 400,259</u>
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D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2013, are summarized below:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General fund		\$ 1,654,665	\$ 1,654,665
Nonmajor governmental funds	79,377	-	79,377
Business-Type funds	125,000	-	125,000
Total transfers out	<u>\$ 204,377</u>	<u>\$ 1,654,665</u>	<u>\$ 1,859,042</u>

E. Leases

The Town has entered into a lease agreement as lessee for financing a sweeper for the highway department. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Asset:	Governmental Activities
Machinery, Equipment and Other	\$ 135,116
Less: Accumulated Depreciation	(13,512)
Total	<u>\$ 121,604</u>

TOWN OF GRAFTON, MASSACHUSETTS
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The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities
2014	\$ 34,879
2015	34,879
2016	34,879
Total minimum lease payments	\$ 104,637
Less: amount representing interest	(5,387)
Present value of minimum lease payments	\$ 99,250

F. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type fund are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2012	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2013
Bond anticipation note:						
Energy conservation improvements	0.45%	11/15/2013	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000

G. Long Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2013
Governmental Activities:					
Inside Debt Limit:					
New Fire/Police Station	3.51%	6/1/2004	6/1/2014	\$ 5,746,000	\$ 575,000
New Fire Station	4.25%	10/15/2008	6/15/2019	5,500,000	3,300,000
Land Acquisition - CPA	3.73%	5/15/2009	2/15/2029	1,155,000	915,000
School - Modular Classrooms	2.86%	5/15/2009	2/15/2019	750,000	450,000
New High School	3.47%	5/1/2010	2/1/2030	9,100,000	7,980,000
New High School	4.24%	4/1/2011	4/1/2031	10,000,000	9,320,000
New High School	3.03%	4/12/2012	4/1/2032	16,650,000	16,065,000
Outside Debt Limit:					
Massachusetts Water Pollution Abatement Trust:					
Title V septic repair program	N/A	9/29/2000	8/1/2019	79,932	29,307
Total governmental type debt					<u>38,634,307</u>
Business-type Activities:					
Inside Debt Limit:					
Sewer Fund:					
Sewer	4.24%	4/1/2011	4/1/2031	510,000	480,000
Total business type debt					<u>480,000</u>
Total Long Term Debt					<u>\$ 39,114,307</u>

Future Debt Service

The annual principal and interest payments to retire all governmental type long term debt outstanding as of June 30, 2013, are as follows:

Governmental Type Activities

Year	Principal	Interest	Total
2014	\$ 2,579,241	\$ 1,492,022	\$ 4,071,263
2015	2,039,241	1,401,570	3,440,811
2016	2,079,165	1,331,895	3,411,060
2017	2,134,165	1,253,665	3,387,830
2018	2,189,165	1,171,826	3,360,991
2019-2023	9,378,330	4,610,426	13,988,756
2024-2028	10,560,000	2,706,006	13,266,006
2029-2032	7,675,000	687,450	8,362,450
	<u>\$ 38,634,307</u>	<u>\$ 14,654,860</u>	<u>\$ 53,289,167</u>

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2013, are as follows:

Business-Type	Principal	Interest	Total
2014	\$ 20,000	\$ 21,088	\$ 41,088
2015	20,000	20,287	40,287
2016	20,000	19,488	39,488
2017	20,000	18,687	38,687
2018	20,000	17,888	37,888
2019-2023	120,000	73,937	193,937
2024-2028	155,000	44,463	199,463
2029-2031	105,000	9,712	114,712
	<u>\$ 480,000</u>	<u>\$ 225,550</u>	<u>\$ 705,550</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due within One Year
Governmental activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 41,625,000	\$ -	\$ 3,020,000	\$ 38,605,000	\$ 2,575,000
Massachusetts Water Pollution Abatement Trust bonds	33,548	-	4,241	29,307	4,241
<i>Leases payable</i>	-	135,116	35,866	99,250	32,209
<i>Compensated absences (restated)</i>	895,198	13,985	30,680	878,503	353,603
<i>OPEB obligation payable</i>	9,857,407	1,792,266	-	11,649,673	-
Governmental activity					
Long-term liabilities	<u>\$ 52,411,153</u>	<u>\$ 1,941,367</u>	<u>\$ 3,090,787</u>	<u>\$ 51,261,733</u>	<u>\$ 2,965,053</u>
Business type activities:					
<i>Bond Payable:</i>					
General obligation bonds	\$ 820,000	\$ -	\$ 340,000	\$ 480,000	\$ 20,000
<i>Compensated absences (restated)</i>	29,113	2,525	-	31,638	18,060
<i>OPEB obligation payable</i>	158,055	33,864	-	191,919	-
Business-type activity					
Long-term liabilities	<u>\$ 1,007,168</u>	<u>\$ 36,389</u>	<u>\$ 340,000</u>	<u>\$ 703,557</u>	<u>\$ 38,060</u>

Massachusetts Water Pollution Abatement Trust (MWPAT)

The Town is subsidized by the Massachusetts Water Pollution Abatement Trust (MWPAT) on a periodic basis for principal in the amount of \$79,932 and interest costs of \$38,712 which the Town has borrowed from MWPAT. The gross amount outstanding at June 30, 2013 for principal and interest combined for the loans is \$35,042 with subsidies amounting to \$5,735. The net repayments, including interest, are scheduled to be \$29,307. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2013 principal and interest subsidies totaled \$1,749.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2013 totaled \$39,085,000

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2013:

Equalized Valuation-Real Estate and Personal Property (2012)		<u>\$ 2,287,322,800</u>
Debt Limit: 5 % of Equalized value		<u>\$ 114,366,140</u>
Total Debt Outstanding	\$ 39,114,307	
Less: Debt Outside Debt Limit	<u>(29,307)</u>	<u>39,085,000</u>
Inside Debt Excess Borrowing Capacity at June 30, 2013		<u><u>\$ 75,281,140</u></u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt.

Loan authorizations that have not been issued as of June 30, 2013 and are not reflected in the Town's financial statements are as follows:

Date	Town Meeting Authorized	Purpose	Amount
10/19/2009		Construction or reconstruction of sewers, sewer systems and sewage treatment and disposal facilities on North Street	\$ 140,000
2/6/2010		Constructing, equipping and furnishing a new high school	4,258,444
10/15/2012		Energy improvements to various municipal and school facilities	<u>1,767,000</u>
			<u><u>\$ 6,165,444</u></u>

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Overlapping Debt

The Town pays assessments; which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Blackstone Valley Regional Vocational Technical High School	<u><u>\$ 4,860,000</u></u>	10.80%	<u><u>\$ 524,880</u></u>

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

H. Fund Balances

The following is a summary of the Town's Governmental Fund fund balances at the year ended June 30, 2013:

	General Fund	High School Construction Fund	Nonmajor Governmental Fund	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 671,769	\$ 671,769
Restricted:				
Federal and state grants	-	-	188,530	188,530
School federal and state grants	-	-	372,509	372,509
School revolving funds	-	-	481,320	481,320
Town revolving funds	-	-	559,392	559,392
Insurance	-	-	231,490	231,490
Donations and gifts	-	-	1,113,707	1,113,707
Community preservation fund	-	-	649,988	649,988
Debt service	1,088,357	-	-	1,088,357
Capital projects	-	-	215,715	215,715
Permanent funds	-	-	415,646	415,646
	<u>1,088,357</u>	<u>-</u>	<u>4,585,562</u>	<u>5,673,919</u>
Committed:				
Town meeting articles	<u>1,985,898</u>	<u>-</u>	<u>-</u>	<u>1,985,898</u>
Assigned:				
General government	26,632	-	-	26,632
Public safety	3,398	-	-	3,398
Public works	89,505	-	-	89,505
Education	173,759	-	-	173,759
Culture and recreation	35,304	-	-	35,304
Fiscal year 2014 budget	<u>496,763</u>	<u>-</u>	<u>-</u>	<u>496,763</u>
	<u>825,361</u>	<u>-</u>	<u>-</u>	<u>825,361</u>
Unassigned:				
General fund	6,293,084	-	-	6,293,084
Deficits:				
High school construction fund	-	(187,347)	-	(187,347)
Capital projects fund:				
Facilities Upgrades	-	-	(725,571)	(725,571)
	<u>6,293,084</u>	<u>(187,347)</u>	<u>(725,571)</u>	<u>5,380,166</u>
Total Governmental fund balances	<u>\$ 10,192,700</u>	<u>\$ (187,347)</u>	<u>\$ 4,531,760</u>	<u>\$ 14,537,113</u>

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

I. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2013 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 3,273,362
Capital stabilization fund	60,367
Blackstone stabilization fund	320
	<hr/>
	\$ 3,334,049
	<hr/>

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

There are pending lawsuits against the Town at June 30, 2013. Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013. The outcome of lawsuits is not expected to materially affect the financial condition of the Town.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

C. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post-employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post-employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits as described on the following footnote, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. As of the actuarial valuation date, there are approximately 707 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2013 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,085,435.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

	Governmental Activities	Business-type Activities	Total
Normal Cost	\$ 1,625,653	\$ 18,516	\$ 1,644,169
Amortization of unfunded actuarial accrued liability	1,271,215	16,628	1,287,843
Annual required contribution	2,896,868	35,144	2,932,012
Interest on net OPEB obligation	394,296	6,322	400,618
Adjustment to annual required contribution	(414,420)	(6,645)	(421,065)
Annual OPEB cost (expense)	2,876,744	34,821	2,911,565
Contributions made during the fiscal year	1,084,478	957	1,085,435
Increase in net OPEB obligation	1,792,266	33,864	1,826,130
Net OPEB Obligation - beginning of year	9,857,407	158,055	10,015,462
Net OPEB Obligation - end of year	\$ 11,649,673	\$ 191,919	\$ 11,841,592

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 3,166,967	28.42%	\$ 7,676,734
6/30/2012	\$ 3,382,452	30.86%	\$10,015,462
6/30/2013	\$ 2,911,565	37.28%	\$11,841,592

Funded Status and Funding Process

As of January 1, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$30,632,666, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$30,632,666. The covered payroll (annual payroll of active employees covered by the plan) was \$24,618,000, and the ratio of the UAAL to the covered payroll was 124.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Schedule of Funding Progress
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
1/1/2009	\$ -	\$ 32,393	\$ 32,393	0%	\$ 22,122	140.1%
1/1/2011	\$ -	\$ 30,345	\$ 30,345	0%	\$ 23,701	128.0%
1/1/2013	\$ -	\$ 30,633	\$ 30,633	0%	\$ 24,618	124.4%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

The Town OPEB actuarial valuation as of January 1, 2013, used the projected unit credit cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.00% rate of return on invested assets. Medical and drug cost trend for Commercial Managed Care, Medicare Indemnity, and Medicare Managed Care in 2013 was 3%, (15.38%) and (5.01), respectively, and 8%, 7% and 8% in 2014, respectively, decreasing .5% for five years to an ultimate level of 5% per year for Commercial Managed Care and Medicare Indemnity and 6% for Medicare Managed Care.

The initial unfunded actuarial accrued liability is being amortized over 30 years on an open basis.

Trust Fund

The Town has established a trust fund in order to contribute funds to reduce the future OPEB liability in fiscal year 2011.

D. Pension Plan

Plan Description

The Town, as a member of the Worcester Regional Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$3,727,160 for the fiscal year ending June 30, 2013, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1987 must be approved by the Worcester Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at Midstate Office Park, 23 Midstate Drive, Suite 106, Auburn, Massachusetts.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2013, 2012 and 2011 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	Town's Contribution
2013	\$ 1,087,334
2012	\$ 1,055,108
2011	\$ 1,073,815

The last actuarial valuation was prepared by KMS Actuaries, L.L.C. as of January 1, 2012. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8% compounded annually, (b) projected salary, including longevity, increases of 3% per year.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2012 is as follows:

Actuarial Accrued Liability	\$ 982,796,782
Less: Assets	436,671,982
Unfunded Actuarial Liability	<u>\$ 546,124,800</u>

The Town's portion of such liability is approximately 3.16% or \$17,257,544.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than forty years. In addition, Chapter 697 contained significant financial incentives for local governmental units to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. The Town has accepted the provisions of Chapter 32, Section 22 (6A) (b), at the Special Town Meeting on June 20, 1990 to become a funding unit.

Reporting Policies

The funds of the Worcester Regional Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

TOWN OF GRAFTON, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

5. Restatement

The beginning compensated absence balances have been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Compensated absences balance June 30, 2012	\$ 8,371,026	\$ 119,216	\$ 8,490,242
<u>Adjustments:</u>			
Change to more accurately reflect the liability:	(7,475,828)	(90,103)	(7,565,931)
Restated balance June 30, 2012	<u>\$ 895,198</u>	<u>\$ 29,113</u>	<u>\$ 924,311</u>

The beginning net position balances have been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net position balance June 30, 2012	\$ 77,326,898	\$ 14,761,600	\$ 92,088,498
<u>Adjustments:</u>			
Change in compensated absences to more accurately reflect the liability:	7,475,828	90,103	7,565,931
Restated net position balance June 30, 2012	<u>\$ 84,802,726</u>	<u>\$ 14,851,703</u>	<u>\$ 99,654,429</u>

SUPPLEMENTARY SCHEDULES

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances		Revenues		Expenditures		Other Financing Sources (Uses)		Fund Balances
	July 1, 2012								June 30, 2013
Special Revenue:									
Federal and State Grants:									
School Grants	\$	117,565	\$	800,642	\$	888,098	\$	-	\$ 30,109
Arts Lottery Council Grants		3,737		3,879		3,820		-	3,796
Council on Aging Grants		27,328		20,174		26,935		-	20,567
Energy Grants		750		-		-		(750)	-
Extended Polling Hours		27		2,774		2,774		-	27
Health Grants		47,617		29,864		23,960		-	53,521
Highway Grants		-		550,645		574,860		24,215	-
Library Grants		118,039		15,572		58,090		-	75,521
Planning Grants		3,545		163,627		161,426		-	5,746
Public Safety Grants		4,983		92,685		67,281		(1,034)	29,353
Schools:									
School Lunch Revolving		55,395		750,451		806,083		-	(237)
School Lunch Commodities		-		58,420		58,420		-	-
Privately Funded Grants		1,550		3,350		3,166		(1,526)	208
School Revolving Accounts		613,600		338,013		462,029		(8,028)	481,556
State Special Education Reimbursement Fund		331,580		358,823		348,212		-	342,191
Other:									
Animal Damage Reserve Fees		16,038		2,006		-		(5,000)	13,044
Clean Energy Choice Grant		1,619		-		-		-	1,619
Community Preservation Fund		667,966		387,194		366,930		(38,242)	649,988
Commission on Disability Parking Fines		400		100		-		-	500
Conservation Fees		178,622		12,773		21,697		-	169,698
Council on Aging Revolving for Transportation		33,820		25,151		18,443		-	40,528
Department of Public Works Road Projects		37,300		-		-		-	37,300
Fire Detail		9,460		4,701		4,660		(8,500)	1,001
Gifts and Donations		1,009,240		317,863		207,062		(6,334)	1,113,707
Health Department Revolving		19,038		16,628		11,559		(9,080)	15,027
Home Composting Bins Revolving		3,670		90		-		-	3,760
Insurance Recovery		239,830		4,424		12,764		-	231,490
Law Enforcement Fund		7,257		234		2,176		-	5,315
Library Grafton Education Association Grant		3,883		-		-		(1,961)	1,922
Municipal Waterways Revolving Funds		8,184		1,701		-		-	9,885
Municipal Center Use Revolving		(9,612)		721		767		9,658	-
Total Special Revenue Page 51	\$	3,552,431	\$	3,962,505	\$	4,131,212	\$	(46,582)	\$ 3,337,142

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Continued from Page 51					
Other (Continued):					
Old Town Hall Revolving	\$ 25,769	45,132	52,412	-	18,489
Planning Board Revolving	68,281	62,159	60,605	15,945	85,780
Police Outside Detail	-	250,319	240,448	(9,871)	-
Recreation Revolving	86,275	281,107	240,253	(15,519)	111,610
Sale of Cemetery Lots	84,645	4,975	-	-	89,620
Septic Repair Betterment Repayments	48,341	3,450	5,990	-	45,801
South Grafton Community House Facility Revolving	-	450	-	-	450
Treasurer Tax Title Fees	75	11,927	12,002	-	-
Affordable Housing Fund	358,424	(2,359)	172,931	38,242	221,376
Conservation Fund	21,814	(139)	-	-	21,675
Unemployment Compensation Fund	104,530	(630)	111,644	30,000	22,256
Total Special Revenue Funds	4,350,585	4,618,896	5,027,497	12,215	3,954,199

Capital Projects:

School Projects:					
Elementary School Construction	13,515	-	-	-	13,515
High and Middle School Renovations	2,837	-	-	-	2,837
Middle School Renovations	34	-	-	-	34
Modular Classrooms	57,947	-	-	(57,947)	-
Facilities Upgrades	-	-	2,356,591	1,631,020	(725,571)
Fire Station	359,506	-	160,176	-	199,330
Total Capital Projects	433,839	-	2,516,767	1,573,073	(509,855)

Perpetual Permanent Funds:

Ann Cochiola Fund	5,040	-	-	-	5,040
Campbell Fund	1,815	-	-	-	1,815
Cemetery Perpetual Care Fund	566,004	14,925	-	-	580,929
Library Fund	71,985	-	-	-	71,985
Palmer Gift - Pine Grove Fund	1,000	-	-	-	1,000
Whitin Gate and Bell Fund	11,000	-	-	-	11,000
Total Perpetual Permanent Funds	656,844	14,925	-	-	671,769

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Fund Balances July 1, 2012	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2013
Permanent Funds:					
Ann Cochiola Fund	\$ 4,644	\$ (61)	-	-	\$ 4,583
Campbell Fund	1,974	(24)	-	-	1,950
Cemetery Perpetual Care Fund	179,814	(4,772)	1,595	(10,000)	163,447
Library Fund	213,332	(1,814)	-	-	211,518
Palmer Gift - Pine Grove Fund	7,040	(51)	-	-	6,989
Whitin Gate and Bell Fund	27,404	(244)	-	-	27,160
Total Permanent Funds	434,208	(6,966)	1,595	(10,000)	415,647
Total Non-Major Governmental Funds	\$ 5,875,476	\$ 4,626,855	\$ 7,545,859	\$ 1,575,288	\$ 4,531,760

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES AND
DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE
JULY 1, 2012 TO JUNE 30, 2013

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
Real Estate Taxes:						
Levy of 2013	\$ -	\$ 31,218,038	\$ 386,889	\$ 30,571,541	\$ 259,608	\$ 259,373
Levy of 2012	228,435	51,234	49,792	229,133	744	743
Levy of 2011	838	-	117	(129)	850	850
Levy of 2010	(1,624)	-	(3,040)	3,482	(2,066)	(2,066)
Levy of 2009	257	-	-	(2)	259	259
Prior Years	25,033	-	-	75	24,958	24,958
	<u>252,939</u>	<u>31,269,272</u>	<u>433,758</u>	<u>30,804,100</u>	<u>284,353</u>	<u>284,117</u>

Personal Property Taxes:

Levy of 2013	-	827,083	239	820,646	6,198	6,198
Levy of 2012	3,517	-	-	(3,059)	6,576	6,576
Levy of 2011	8,342	-	-	4,136	4,206	4,206
Levy of 2010	8,495	-	-	-	8,495	8,495
Levy of 2009	9,432	-	104,590	(104,562)	9,404	9,404
Prior Years	12,849	-	-	1,205	11,644	11,644
	<u>42,635</u>	<u>827,083</u>	<u>104,829</u>	<u>718,366</u>	<u>46,523</u>	<u>46,523</u>

Rollback Taxes

	-	4,594	-	4,594	-	-
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**Total Real Estate, Personal
Property and Rollback Taxes**

\$	295,574	\$ 32,100,949	\$ 538,587	\$ 31,527,060	\$ 330,876	\$ 330,640
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Deferred Property Taxes

\$	13,082	\$ -	\$ -	\$ (10,874)	\$ 23,956	\$ 23,956
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Community Preservation Surcharge:

Levy of 2013	\$ -	\$ 318,973	\$ 4,180	\$ 312,362	\$ 2,431	\$ 2,433
Levy of 2012	(626)	724	538	(452)	12	13
Levy of 2011	109	-	2	2	105	105
Levy of 2010	(3,595)	-	-	(3,493)	(102)	(102)
Levy of 2009	26	-	-	(3)	29	29
Prior Years	8	-	-	(119)	127	127
	<u>(4,078)</u>	<u>319,697</u>	<u>4,720</u>	<u>308,297</u>	<u>2,602</u>	<u>2,605</u>

Total Community Preservation Surcharge

\$	(4,078)	\$ 319,697	\$ 4,720	\$ 308,297	\$ 2,602	\$ 2,605
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TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2012 TO JUNE 30, 2013

	Uncollected Taxes July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2013	Uncollected Taxes Per Detail June 30, 2013
Motor Vehicle Excise Taxes:						
Levy of 2013	\$ -	\$ 2,122,786	\$ 36,786	\$ 1,889,980	\$ 196,020	\$ 196,052
Levy of 2012	141,644	218,194	18,236	314,580	27,022	27,002
Levy of 2011	30,611	-	1,817	17,398	11,396	11,442
Levy of 2010	16,489	158	352	3,825	12,470	12,529
Levy of 2009	14,948	-	-	1,040	13,908	13,969
Prior Years	105,318	-	164	3,891	101,263	101,278
Total Motor Vehicle Excise Taxes	309,010	2,341,138	57,355	2,230,714	362,079	362,272
Boat Excise Taxes:						
Levy of 2013	-	3,612	167	2,529	916	916
Levy of 2012	729	-	-	58	671	671
Levy of 2011	303	-	-	-	303	303
Levy of 2010	109	-	-	85	24	165
Levy of 2009	429	-	-	60	369	369
Total Boat Excise Taxes:	1,570	3,612	167	2,732	2,283	2,424
Total Motor Vehicle and Boat Excise Taxes	\$ 310,580	\$ 2,344,750	\$ 57,522	\$ 2,233,446	\$ 364,362	\$ 364,696

TOWN OF GRAFTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2012 TO JUNE 30, 2013

Uncollected Accounts July 1, 2012	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2013	Uncollected Accounts Per Detail June 30, 2013
\$ 961,030	\$ 293,508	\$ -	\$ 125,436	\$ 1,129,102	\$ 1,131,209
\$ 7,826	\$ 2,595	\$ -	\$ 1,000	\$ 9,421	\$ 9,421

General Fund:
Tax Liens

Non-major Governmental Fund:
Community Preservation Surcharge:
Tax Liens